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**SUCCESSOR COEUR D'ALENE
CUSTODIAL AND WORK TRUST**

FINANCIAL REPORT

DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Trustee
Successor Coeur d'Alene Custodial and Work Trust
Olympia, Washington

We have audited the accompanying financial statements of Successor Coeur d'Alene Custodial and Work Trust, which comprise the statements of assets, liabilities, and trust equity - modified cash basis as of December 31, 2012 and 2011, and the related statements of revenue, expenses, and changes in trust equity - modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and trust equity of Successor Coeur d'Alene Custodial and Work Trust as of December 31, 2012 and 2011, and its revenue, expenses and changes in trust equity for the years then ended, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to that matter.

Peterson Sullivan LLP
April 17, 2013

SUCCESSOR COEUR D'ALENE CUSTODIAL AND WORK TRUST

**STATEMENTS OF ASSETS, LIABILITIES, AND TRUST EQUITY –
MODIFIED CASH BASIS**

December 31, 2012 and 2011

ASSETS	2012	2011
Cash	\$ 4,098,361	\$ 1,337,919
Investments	485,549,662	475,936,037
	<u>\$ 489,648,023</u>	<u>\$ 477,273,956</u>
LIABILITIES AND TRUST EQUITY		
Trust equity	<u>\$ 489,648,023</u>	<u>\$ 477,273,956</u>

See Notes to Financial Statements

SUCCESSOR COEUR D'ALENE CUSTODIAL AND WORK TRUST

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN TRUST EQUITY – MODIFIED CASH BASIS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Revenue		
Realized gain on sale of investments	\$ 9,551,305	\$ 32,984,538
Interest and dividend income	10,433,564	10,250,685
Other income	87,898	23,606
	<u>20,072,767</u>	<u>43,258,829</u>
Expenses		
Environmental remediation	5,809,337	2,495,099
Investment fees	1,371,358	1,370,929
Trustee and employee fees	313,031	280,951
Accounting, legal fees, and other professional fees	84,732	73,390
Property insurance and taxes	27,224	34,097
Other	93,018	86,021
	<u>7,698,700</u>	<u>4,340,487</u>
Change in trust equity	12,374,067	38,918,342
Trust Equity, beginning of year	<u>477,273,956</u>	<u>438,355,614</u>
Trust Equity, end of year	<u>\$ 489,648,023</u>	<u>\$ 477,273,956</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

The Successor Coeur d'Alene Custodial and Work Trust ("the Trust") was established as part of a bankruptcy proceeding involving ASARCO LLC and its subsidiaries ("ASARCO"). The Trust took effect on December 9, 2009, following a final determination by the United States District Court in Corpus Christi, Texas, which affirmed a Settlement Agreement between the United States Environmental Protection Agency ("EPA"), ASARCO, various other mining companies, and Daniel Silver, Trustee.

Under the terms of the Trust Agreement, ASARCO transferred properties and cash to the Trust, to be placed into three segregated trust accounts. The sum of the monies transferred was \$436,639,890. Each account is used for specific purposes as follows: 1) one of the accounts pays for environmental remediation projects approved by EPA; 2) one pays for environmental actions approved by EPA and prioritized by federal Natural Resource Trustees; and 3) one is used to fund environmental and administrative actions related to properties owned by the Trust.

The Trust has two offices, one in Olympia, Washington and a second in Kellogg, Idaho. The Trustee resides and works in Olympia. The Trustee has overall responsibility for all Trust activities, including investment and management of the Trust monies. The Kellogg office is responsible for selection and oversight of the remediation contractors.

The sole beneficiary of the Trust is the EPA.

Modified Cash Basis Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Under this basis, the only assets recognized are cash and investments, and no liabilities are recognized (unless caused by cash transactions). The modified cash basis differs from accounting principles generally accepted in the United States primarily because revenues and expenses are recognized when received or paid, rather than when earned or incurred.

Cash

Cash includes cash in banks. The Trust has deposits in financial institutions in excess of federally insured limits.

Investments

Investments are reported at cost in the statements of assets, liabilities, and trust equity. Realized gains and losses are included in the change in trust equity.

Income Taxes

The Trust is a qualified settlement fund under Section 468B of the Internal Revenue Code. However, since the trust is beneficially owned by the EPA, it is exempt from federal income tax. Tax years that remain subject to examination by federal authorities are 2009 through 2012.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Trust has evaluated subsequent events through the date these financial statements were available to be issued, which is the same date as the independent auditors' report.

Note 2. Investments

Investment activity for the years ended December 31, 2012 and 2011, was as follows:

	2012	2011
Balance, beginning of period (at cost)	\$ 475,936,037	\$ 288,766,095
Purchases	22,535,335	475,936,037
Proceeds on sale	(22,473,015)	(321,750,633)
Realized gain on sale of investments	9,551,305	32,984,538
Balance, end of period (at cost)	<u>\$ 485,549,662</u>	<u>\$ 475,936,037</u>

Investments held by the Trust at December 31, 2012 and 2011, were as follows:

	2012		2011	
	Cost Basis	Fair Value	Cost Basis	Fair Value
BlackRock Common Collective Trust Funds				
MSCI ACWI IMI Index Fund (Global Equities)	\$167,914,310	\$139,125,873	\$155,069,170	\$120,615,491
Global Multi-Cap Equity Fund B (Global Equities)	124,895,911	135,949,269	130,829,349	121,543,436
Core Active Bond Fund B (Global Bonds)	90,487,749	90,487,382	86,914,535	87,991,459
Government Bond Index Fund B (U.S. Government Bonds)	58,514,689	59,360,935	58,381,052	61,143,878
S&P GSCI Commodities Fund B (Commodities)	21,737,007	20,659,935	22,741,935	20,626,115
BlackRock Hedge Fund Global Ascent Ltd. Class I (Global Equities)	21,999,996	19,618,226	21,999,996	19,816,904
	<u>\$ 485,549,662</u>	<u>\$ 465,201,620</u>	<u>\$ 475,936,037</u>	<u>\$ 431,737,283</u>

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

BlackRock common collective trust funds and the hedge fund ("the Funds") are reported at their fair value using the Net Asset Value ("NAV") provided by the administrators of the Funds. The NAV is based on fair value of the underlying assets, less any liabilities, and then divided by the number of shares outstanding. There are no unfunded commitments. Units can only be redeemed at certain times, and with varying amounts of notice, depending on the provisions of the respective Funds' governing agreement. Due to the lack of an organized trading market and the restrictions associated with investment redemption, liquidity for these investments may be impaired under certain market conditions. All of the Trust's asset fair values as of December 31, 2012 and 2011, are derived from Level 3 inputs.

The Trust agreement places restrictions on the types of investments that may be purchased. The Trust was in compliance with these restrictions at December 31, 2012 and 2011.

Note 3. Environmental Remediation Costs

Under the modified cash basis of accounting, environmental remediation costs are recorded when disbursed. Each year the Trust prepares a work-plan and budget for review and approval by the EPA. Following the EPA's approval, the Trust contracts work to be performed for the requisite environmental activities. The Trust reports quarterly to the EPA on the remediation and financial status of the Trust. No funds can be distributed from the Trust without the explicit written approval of the trustee.